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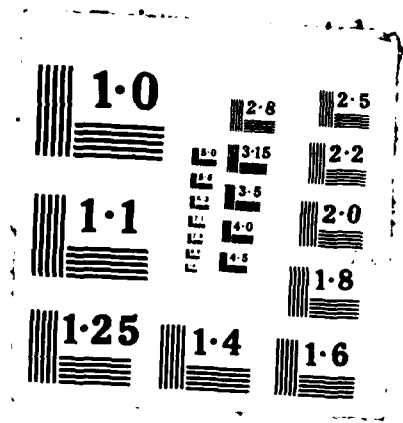
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# NAVAL POSTGRADUATE SCHOOL Monterey, California



## THESIS

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AN ANALYSIS OF THE UNITED STATES  
NAVAL RESERVE BUDGET GROWTH

by

Guy B. Leary

December 1987

Thesis Advisor:

James R. Duke

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88 2 11 05 4

## REPORT DOCUMENTATION PAGE

1a. REPORT SECURITY CLASSIFICATION <b>UNCLASSIFIED</b>			1b. RESTRICTIVE MARKINGS		
2a. SECURITY CLASSIFICATION AUTHORITY			3. DISTRIBUTION/AVAILABILITY OF REPORT Approved for public release; distribution is unlimited		
2b. DECLASSIFICATION/DOWNGRADING SCHEDULE			4. PERFORMING ORGANIZATION REPORT NUMBER(S)		
6a. NAME OF PERFORMING ORGANIZATION Naval Postgraduate School			6b. OFFICE SYMBOL (If applicable) 54		7a. NAME OF MONITORING ORGANIZATION Naval Postgraduate School
6c. ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000			7b. ADDRESS (City, State, and ZIP Code) Monterey, California 93943-5000		
8a. NAME OF FUNDING/SPONSORING ORGANIZATION		8b. OFFICE SYMBOL (If applicable)		9. PROCUREMENT INSTRUMENT IDENTIFICATION NUMBER	
8c. ADDRESS (City, State, and ZIP Code)		10. SOURCE OF FUNDING NUMBERS			
		PROGRAM ELEMENT NO.		PROJECT NO.	TASK NO.
					WORK UNIT ACCESSION NO.
11. TITLE (Include Security Classification) AN ANALYSIS OF THE UNITED STATES NAVAL RESERVE BUDGET GROWTH					
12. PERSONAL AUTHOR(S) Leary, Guy B.					
13a. TYPE OF REPORT Master's Thesis		13b. TIME COVERED FROM _____ TO _____		14. DATE OF REPORT (Year, Month, Day) 1987 December	15. PAGE COUNT 64
16. SUPPLEMENTARY NOTATION					
17. COSATI CODES			18. SUBJECT TERMS (Continue on reverse if necessary and identify by block number)		
FIELD	GROUP	SUB-GROUP	Naval Reserve;		
			Navy Budget;		
			Total Force		
19. ABSTRACT (Continue on reverse if necessary and identify by block number)					
<p>This thesis analyzes the Naval Reserve budget during the period FYs 1970-1987 and compares the Naval Reserve budget growth to the active Navy budget growth during the same period. By performing descriptive data analysis on the total budget authority of both the active and reserve Navy during the period under study, the data indicates that the Naval Reserve has received its fair share of the active budget during the majority of the years of the study. The Naval Reserve's share of the active Navy budget is justified due to the tremendous growth of personnel and missions in the Naval Reserve during the period. The growth of the Naval Reserve budget appears to have been effected more by the defense buildup of the Reagan administration than by the formulation of the</p>					
20. DISTRIBUTION/AVAILABILITY OF ABSTRACT <input checked="" type="checkbox"/> UNCLASSIFIED/UNLIMITED <input type="checkbox"/> SAME AS RPT <input type="checkbox"/> DTIC USERS				21. ABSTRACT SECURITY CLASSIFICATION unclassified	
22a. NAME OF RESPONSIBLE INDIVIDUAL LCDR James R. Duke				22b. TELEPHONE (Include Area Code) (408) 646-2284	22c. OFFICE SYMBOL 54Dc

19. Abstract continued

Total Force concept in 1970 for the Guard and Reserves. The yearly changes of the Naval Reserve budget are primarily incremental, which indicates the Naval Reserve is an agency with an established budgetary base.



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An Analysis of the United States Naval Reserve Budget Growth

by

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Submitted in partial fulfillment of  
the requirements for the degree of

MASTER OF SCIENCE IN MANAGEMENT

from the

NAVAL POSTGRADUATE SCHOOL  
December 1987

Accession For	
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Unannounced	<input type="checkbox"/>
Justification	
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Distribution/	
Availability Codes	
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## ABSTRACT

This thesis analyzes the Naval Reserve budget during the period FYs 1970-1987 and compares the Naval Reserve budget growth to the active Navy budget growth during the same period. By performing descriptive data analysis on the total budget authority of both the active and reserve Navy during the period under study, the data indicates that the Naval Reserve has received its fair share of the active Navy budget during the majority of the years of the study. The Naval Reserve's share of the active Navy budget is justified due to the tremendous growth of personnel and missions in the Naval Reserve during the period. The growth of the Naval Reserve budget appears to have been effected more by the defense buildup of the Reagan administration than by the formulation of the Total Force concept in 1970 for the Guard and Reserves. The yearly changes of the Naval Reserve budget are primarily incremental, which indicates the Naval Reserve is an agency with an established budgetary base.

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## I. INTRODUCTION

### A. GENERAL

The unprecedented high levels of the Federal deficit continue to increase the close scrutiny of the Federal budget. The Reagan administration's policies of massive increases in defense spending have begun to encounter growing opposition from both the public and Congress. Due to the well-publicized increases in spending levels for the Department of Defense (DOD), Congress is pressuring DOD for reductions in the defense budget to help reduce the federal budget deficit. The numerous programs within the DOD must now concentrate on competing for these scarce defense dollars.

There is nothing new about the intense competition of programs within the Federal and the DOD budgets. There have been many studies done on the competition of programs in the Congressional budgetary process [Refs. 1 -12]. These studies attempt to explain how Congress allocates dollars to different government agencies. The constraints of the monies available for defense require the United States to maximize the use of military personnel resources, both active and reserve. As a result, the active and reserve components of the military services must now compete for these scarce defense dollars [Ref. 2].

Over the years, the Naval Reserve has seen their responsibilities increase to the point where they now account for 100% of the U.S. Navy's forces in some mission areas. This study attempts to determine if the increased responsibilities of the Naval Reserve has been reflected in their competition for funds with the active Navy in the budgetary process.

#### B. SCOPE

This thesis uses descriptive data analysis to focus on the changes in the Naval Reserve budget and to what degree they have kept pace with the changes in the active Navy budget during the period fiscal years (FYs) 1970 - 1987. The analysis will concentrate on the total budget authority for the active and reserve Navy.

#### C. RESEARCH QUESTIONS

The primary question to be answered in this thesis is whether or not the Naval Reserve has maintained a "fair share" of the active Navy budget base during the period FYs 1970 - 1987. The difference between the terms "fair share" and the "base" is as follows: The base is the expectation among the agencies involved that their programs will be continued at close to their present level of expenditure; the term "fair share" not only means the base an agency has established but also the expectation that the agency will

receive some portion of funds, if any, which are to be increased over or decreased below the base of another agency. This "fair share" then becomes an expectation of how much the agency expects to receive as compared to other agencies. [Ref. 12, p. 17]

The secondary question of this thesis is what impact, if any, has the Total Force concept had on the Navy Reserve budget. A subsidiary question is whether or not the changes in the Naval Reserve budget have appeared to be incremental or programmatic in nature. The definitions of the incremental and programmatic theories will be discussed in Chapter II.

#### D. METHODOLOGY

The source of data used for analyzing the questions proposed in this thesis are historical budgetary data obtained from The Budget of the United States [Ref. 13]. Total budget authority for both the active and reserve Navy are examined on a yearly basis.

The primary question of "fair share" for the Naval Reserve is analyzed by the following two methods:

1. By presenting how the Naval Reserve budget, as a percentage of the active Navy budget, has changed during this period. If the Naval Reserve's percentage of the active Navy budget remained the same or

increased from the previous year, then the Naval Reserve received its "fair share" for that particular year.

2. By comparing the percent change from the previous year of both the active and reserve Navy budgets. If the change in the Naval Reserve budget was equal to or better than the change in the active Navy budget, then the Naval Reserve achieved their "fair share" of the active Navy budget for that particular year.

The secondary question of whether or not the Naval Reserve budget has been impacted by the Total Force concept is answered by analyzing the growth of the Naval Reserve Budget during the period FYs 1970-1987. The background of the Total Force concept will be discussed in Chapter II.

The subsidiary question of whether or not changes in the Naval Reserve budget have appeared to be incremental or programmatic is answered by analyzing the percent change in the Naval Reserve budget each year of the study. Using the same criteria as the Fenno study [Ref. 3], the changes in the Naval Reserve budget will be considered incremental if the change is 10% or less per year. Any changes larger than 10% will be considered programmatic.

#### E. ORGANIZATION

Chapter II provides background information on budgeting literature, Naval Reserve history, and the Total Force

concept. Chapter III defines the study and presents the data base and results. Chapter IV concludes the thesis with an assessment of the results.

## II. BACKGROUND

### A. BUDGETING LITERATURE

Budgeting literature concerning the budgetary change of agencies can be divided into two groups: incremental and programmatic (non-incremental) [Ref. 11, p. 859]. The incrementalist theory is that an agency's budget is very rarely reviewed as a whole each year in the sense that each agency's programs are reviewed and compared to possible alternatives. Instead, the agency's budget is based on its budget of the previous year with relatively small plus or minus increments to the existing base [Ref. 12, p. 15]. The second theory of programmatic or non-incremental theory states that factors other than the previous year's budget base of an agency play a significant part in the budgetary process.

There have been numerous studies done on the incremental theory of budgeting [Refs. 1, 2, 3]. One of the most notable studies of incrementalism was done by Davis, Dempster and Wildavsky [Ref. 1]. Davis et al. in this study proposed that:

There are striking regularities in the budgetary process. The evidence from over half of the non-defense agencies indicates that the behavior of the budgetary process of the United States government results in aggregate decisions similar to those produced by a set of simple decision rules that are linear and temporally stable. [Ref. 1, p. 529]

Their theory suggests that Congress is unwilling to make the difficult budgetary decisions. Congress would rather rely on the agency's last budget and make only incremental "relatively fixed" budget requests of the agency. The term "relatively fixed" is used because they propose that Congress may change the percentage given to an agency due to special circumstances and events for a given year.

Another study by Wanat [Ref. 2] expands on the incremental theory proposed by Davis, et al. [Ref. 1]. His study was based on the Department of Labor's appropriations bills from FYs 1968-1972. He proposes that to use incrementalism as an explanatory tool, incrementalism must specify not only that a small change was made to the status quo but also must specify why the change was so small [Ref. 2, p. 1221]. Wanat's study concludes that further research should be given to the programmatic portion of the budget since this is the area where politics might enter into the budgetary process [Ref. 2, p. 1228].

A study by Fenno focused on the appropriations process used in Congress [Ref. 3]. The Congressional Committee members developed stable working relations with agencies over time. Viewing the annual changes in an agency's appropriation, Fenno concluded that the majority of Congressional Committee decisions are incremental. Fenno's study is interesting since he used the percent change of agencies appropriation to determine if the change was

incremental. His analysis revealed that the majority of the committee's decisions (53%) resulted in no more than a 10% change over the agency's previous appropriation. Using 20% change as a cut-off point, three-quarters of the committee's decisions were included. [Ref. 3. pp. 352-355]

A more recent study by Pitavada and Draper proposes that although the incremental theory has many critics, they still believe that incrementalism is the most effective way to understand the budgetary process [Ref. 4]. They believe that the following five factors have increased the tendency toward incrementalism to explain the federal budgeting process.

1. Indexing and Inflation

Eight major federal entitlement programs are indexed to the rate of inflation. The Consumer Price Index (CPI) is normally used for this index. These entitlement budgets will be incremental because indexing is a steady adjustment along a predetermined path dictated by the CPI. Another method for dealing with inflation is called "cost growth" which is primarily used by DOD. Since FY 1978 DOD has been allowed bylaw (Public Law 94-361) to request additional budget authority in the defense budget to cover price increases caused by inflation for defense related products. These inflationary increases for defense items purchased

represent incremental change to the DOD budget. [Ref. 4, p. 402]

## 2. Multiyear Budgeting

President Jimmy Carter, in his FY 1980 budget message, announced a new three-year budget planning system. This change was designed to help agencies plan and organize on a long-term basis. Since the agencies had to display three-year costs, their focus would be on the incremental change required above the prior base year.

The longest multiyear budgeting process has been done by DOD. Since Robert McNamara introduced the Planning, Programming, and Budgeting System (PPBS) into DOD in 1961, DOD has used the Five Year Defense Plan (FYDP) to plan their budget. The FYDP is actually a seven year display of budgetary resources (current year, budget year, and five outyears). The FYDP has become a base where the next budget cycle can begin; therefore, the outyears are just extensions of the past years. Although many decisions made in DOD will result in large changes in future DOD budgets, the process is considered incremental since changes are applied to bases which the DOD agencies have developed. [Ref. 4, pp. 402]

## 3. Continuing Resolutions

Continuing resolutions are the authority Congress gives to government agencies to continue obligating funds when Congress has failed to pass the annual appropriations act. Since 1980 the Congress has had a terrible record for

passing appropriations acts by the required date of October 1. The biggest reason for this difficulty has been the budget cuts proposed by the Reagan administration. Congress has used the process of using continuing resolutions to avoid making the tough budget reduction decisions.

These continuing resolutions are truly incremental in nature since they allow the agencies to be funded based on adjustments to prior years' budgets or budget requests. Since it does not appear that budgetary conflict will lessen in the future, Congress will most likely continue to use the continuing resolution technique to make incremental changes in the federal budget. [Ref. 4, pp. 403-404]

#### 4. Baseline Reviews

According to Section 605(a) of the Budget and Impoundment Act of 1974, the President is required to submit a "current services" budget to Congress each year on or before November 10. In practice, this current services budget, which displays budget authority and outlays for the fiscal year, is submitted along with the President's budget the following January. Congress has come to rely on this current services budget as a "base" for ongoing agency programs. Congress and the administration both use these baselines for a departure point for future budgetary decisions. These budgetary baselines can be used to help

the agencies protect their current programs against possible cuts by Congress or Administration. Baselines tend to be respected by most participants in the budgetary process; when baselines are used, incrementalism is used also. [Ref. 4, pp. 404-405]

5. Incremental (Decremental) Budget Displays

Governmental agencies, including DOD, display their budget requests to Congress in an incremental manner. An agency's budget request to Congress tends to focus on a three-year period: past, current, and budget request year. Each agency submits to Congress, along with the President's budget, their "justification books." These books provide Congress a more detailed description of the changes to an agency's programs. Although the "justification books" submitted display the total budget requests of the agency, the books are really a display of incremental change for the agency. [Ref. 4, pp. 402-405]

While the incremental theory of budgeting has been the dominant theory in budgeting since the 1960s, there are a growing number of critics of the incremental theory of budgeting. These critics believe that there are many variables other than the "base" that must be considered in the budgetary process [Ref. 5, p. 61]. There have been numerous studies which support the non-incrementalist views [Refs. 6, 7, 8].

One of the classic studies to question the incremental theory is by Natchez and Bupp [Ref. 6]. They do not challenge the fact that what occurs in future budgets has a relationship to past budgets, since agency budgets are not written from scratch each year. But what they do suggest is that there is a large amount of public policy which is embedded in the budgetary powers [Ref. 6. p. 952]. They suggested an alternative approach to the analysis of budgetary data that would reveal public policy and priorities in the budgetary process. They analyzed 23 Atomic Energy Commission programs during the period FYs 1959 - 1972 and transformed the budgetary data of the programs into an "index of prosperity" which would indicate the success or failure of the programs to compete for scarce dollars [Ref. 6, p. 958]. They found that embedded in the total budget of an agency there was indeed a great deal of variation caused by political events. They found that programs within an agency prosper because the directors of these programs had successfully built the political support to withstand budget cuts from competing sources. [Ref. 6, p. 963]

William Moreland conducted a study within the Department of Agriculture over the period FYs 1946 - 1971 and concluded that the incrementalist approach did not adequately explain the budget outcome of the department [Ref. 7]. Moreland

found that factors other than previous appropriations were important in explaining the overall outcome of the budgets. These factors included agency size, agency managerial capacity, and the administrative experience of administrators and staff within the agency [Ref. 7, p. 45]. His findings suggest that the final appropriation for an agency incorporates these factors and not just the incrementalist view of addition to or subtraction from a base.

Another analysis of budget theory by Bozeman, Barry and Straussman proposes that the budgetary processes of the future are likely to be influenced by a number of factors which challenge the theory of incrementalism [Ref. 8]. They suggest that incrementalism may prevail when budgets are increasing, but the incremental theory does not work well when the budget has to be reduced. Their analysis of the FYs 1982 - 1983 federal budgets shows that the "base" of an agency is no longer a sacred cow. The Reagan administration has shown that not only will they cut the base of a program, but they will also go after entitlement program cuts which were previously thought to be uncontrollable. Due to the large federal deficit of the 1980s, budgetary restraint will be with us for years to come; and as a result of this fiscal austerity, the role of incrementalism will decline. Bozeman et al. propose that during periods of budgetary growth the

appropriations increases requested by agencies will be incremental in nature. This is true since the agencies can usually negotiate an incremental increase with Congress. But Congress does not perform well at administering cuts in an incremental way. The inability of Congress to address budget cuts in a responsible manner will place even more emphasis on the President and the executive branch to enact the budget cuts. When the budget reductions are initiated from the executive branch, the agencies are less likely to be guaranteed their "fair share" of the budget. [Ref. 8, pp. 509-515]

There are many who believe that the budgetary program is composed of both incremental and programmatic theory [Refs. 9, 10, 11]. Bromiley and Crecine conducted a study using budgetary data from fifteen major government agencies from 1953 to 1966. They suggest that while there is an incremental decrease or increase in the total budget, there is an underlying mechanism of change occurring within the budget. Most yearly adjustments to agency budgets can be explained but some cannot. They suggest that the President cannot be overly occupied with the minute details of all agency allocations within the federal government. Instead, the President is very likely to have a keen interest in one or two agencies. They call these agencies "presidentially salient". As a result, these pet projects of the President will be treated differently in the budgetary process. These

agencies can vary from president to president. (e.g., NASA under President Kennedy and DOD under President Reagan.) [Ref.9, p. 1053]

Arnold Kanter, in his study of the National Defense budget during FYs 1960 - 1970, suggests that Congress has both a fiscal and a programmatic policy toward defense spending [Ref. 10]. He studied the five largest appropriation titles within DOD: Personnel, Operations and Maintenance (O&M), Procurement, and Research and Development, Testing, and Evaluation (RDT&E). Concerning these four major appropriations, Congress has tended to be incremental in dealing with the Personnel and O&M accounts and programmatic in dealing with the Procurement and RDT&E accounts. Considering the size and complexity of the defense budget, it is not surprising that Congress has focused most of its energy on Procurement and RDT&E. [Ref. 10, p. 129]

Personnel and O&M are relatively stable, whereas Procurement and RDT&E contain the largest amount of proposed changes from year to year. The data compiled by Kanter reinforces the belief that Congress uses Procurement and RDT&E funding to influence national security policy. He suggests that the widely held notion that Congress only makes incremental, non-critical changes to the President's Defense Budget does not do justice to Congress. The

Congressional budgetary process contains both budgetary/incremental and programmatic behavior occurring simultaneously. [Ref. 10, p. 142]

John Gist conducted a study of DOD appropriations for RDT&E from FYs 1963 - 1977 and found that there was evidence of both incremental and programmatic behavior in the budgetary process [Ref. 11]. Using the same data, he demonstrated how the incrementalist view of Davis, et al., [Ref. 1] and the programmatic views of Natchez, et al., [Ref. 6] could be justified. He suggests that since both theories are consistent with the same set of data, they cannot be regarded as competing theories but as complimenting each other when dealing with resource allocation in the budgetary process. Future research into the political process of budget allocation should focus on integrating the incremental and programmatic theories rather than pitting them against each other. It is interesting to note that Gist proposed that a more useful approach to identifying shifting budget priorities would be a "share of the increment" approach. His alternative method of analyzing budgetary change would involve investigating the agency's or program's share of the increment relative to its existing share of the total budget. [Ref. 11, pp. 862-871]

## B. NAVAL RESERVE HISTORY, MISSION, AND STRUCTURE

### 1. History

The concept of a reserve militia to serve the nation goes back to the colonial days. The Navy Department, in 1887, prepared a plan of organization for a naval militia force. By 1894, the militia movement had progressed to the point where the Secretary of the Navy was given authority to lend each state having a naval militia one of the Navy's older ships. [Ref. 14]

By 1897, sixteen states had a naval militia in one form or another. When Theodore Roosevelt took over as Assistant Secretary of the Navy, the United States Naval Militia had over four thousand officers and enlisted men. [Ref. 14]

During the First World War, approximately 30,000 reserve officers and 300,000 enlisted reservists served on active duty. After the war, the states' naval militia were dissolved, and the future of the reserves was in doubt. Finally, in 1925, legislation established the air reserve and generally revitalized the Naval Reserve organization. By 1938 there were 11,000 officers and 13,000 enlisted personnel in the Naval Reserves. [Ref. 14]

The outbreak of World War II saw the largest buildup of the Navy in history. The Navy grew to three million men and women during this period. Of the 320,000 officers on

duty in 1945, all but approximately 13,000 were Reservists. In the years that followed World War II, the Naval Reservists have continued to serve with distinction in periods of national crisis. [Ref. 15, pp. 15-16]

Today's Naval Reserve had its genesis in 1946 with the establishment of the Naval Air Reserve Training Command (headquartered in Glenview, Illinois) and the Naval Surface Reserve Training Command (headquartered in Omaha, Nebraska). These two commands were combined in New Orleans, Louisiana, under the Chief of Naval Reserve. [Ref. 14]

## 2. Mission

The mission of the Navy Reserve is to provide trained units and qualified individuals for active duty in time of war or national emergency and at other times where required to protect the national security [Ref. 16, p. 278].

## 3. Structure

The Commander Naval Reserve Force (COMNAVRESFOR) is an Echelon II field command reporting directly to the Chief of Naval Operations (CNO). Although his flag is located in New Orleans, Louisiana, he and his staff are stationed in Washington, D.C. The Commander Naval Reserve Force is responsible for the following: the administration and management of Naval Reserve programs as prescribed by the CNO, the management of assigned resources as a major claimant, and the direction and supervision of Naval Reserve activities. [Ref. 17, p. 125]

In addition to COMNAVRESFOR, there are two subordinate flag commands located in New Orleans. One is the Commander, Naval Air Reserve Force (COMNAVAIRRESFOR) and the other is the Commander, Naval Surface Reserve Force (COMNAVSURFRESFOR). The senior of these two commanders also holds the title of Deputy, Commander, Naval Reserve Force.

The organizational structure of the Naval Reserve is shown in Figure 2.1. The dashed line in the figure shows the relationship of the Commander, Naval Reserve Force with the two fleet Commanders. COMNAVRESFOR reports on an additional duty basis to both CINCLANTFLT and CINCPACFLT. [Ref. 17, p. 125]

#### C. TOTAL FORCE CONCEPT

As the Vietnam War was nearing an end, the United States was trying to find a way to reduce defense expenditures while at the same time maintain and fulfill national security obligations. One of the methods DOD used to reduce defense expenditures was to reduce the strength of the active forces and increase the reliance on the Guard and Reserve. In 1970, Secretary of Defense Melvin Laird announced the "Total Force" concept which emphasized the joint use of active and reserve units in the development of future national defense strategy. Secretary Laird said: "Selected Reserves will be prepared to be the initial and primary source for augmentation of the active forces in any

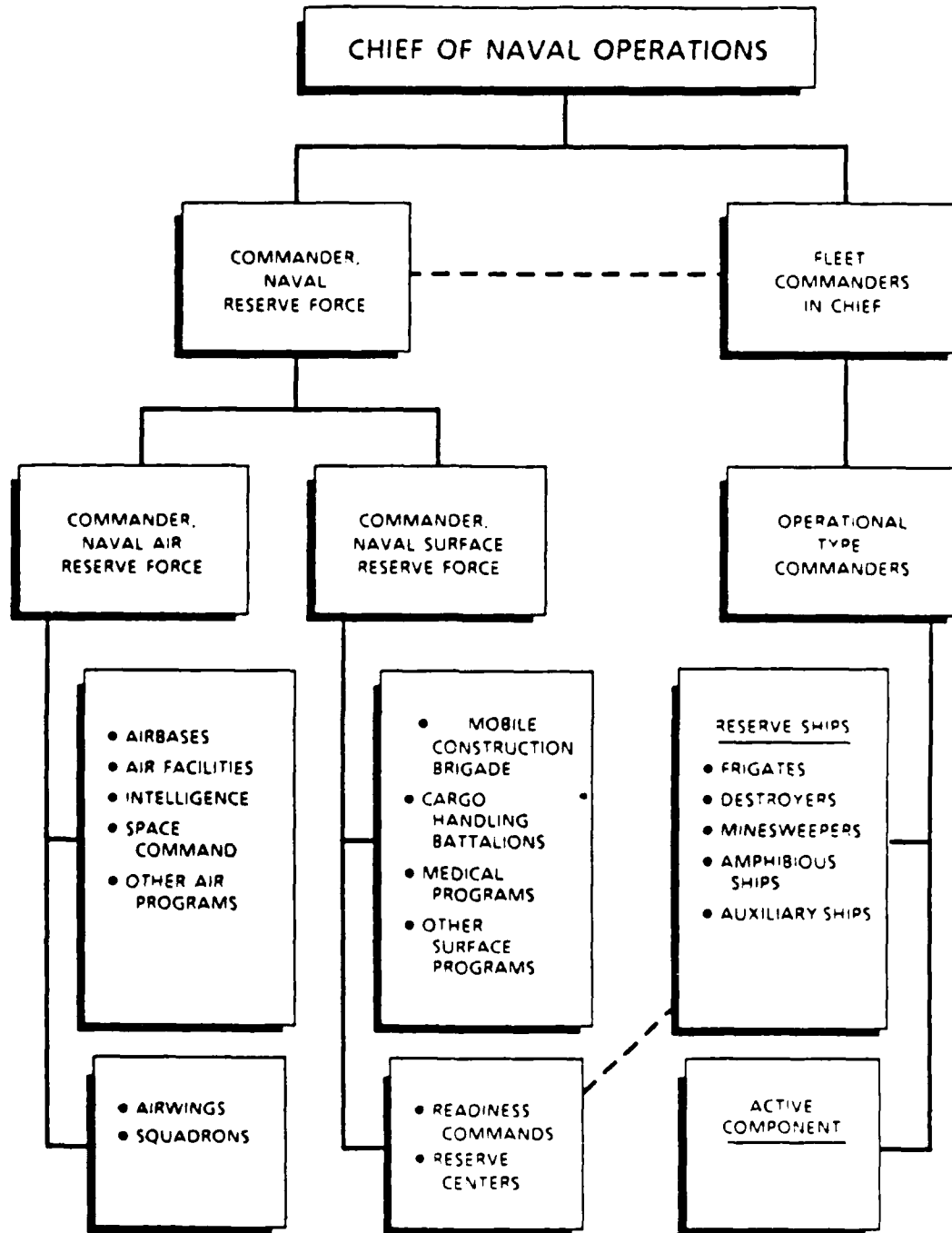


Figure 2.1  
Organizational Structure of Naval Reserve

future emergency" [Ref. 18, p. 159]. He also directed that the Planning, Programming and Budgeting System (PPBS) fully include the Total Force concept. The next Secretary of Defense, James Schlesinger, continued the support of the Total Force concept. Schlesinger stated: "Total force is no longer a 'concept,' it is now the total force policy" [Ref. 18, p. 160]. Since this statement was made in 1973, each succeeding administration has committed themselves to the Total Force policy. [Ref. 18, pp. 159-161]

The Total Force policy has highlighted several facts relating to the nation's national defense. One is that the United States cannot conduct and sustain a significant military operation without the support of the Reserves and Guard. Another fact is that the restraints of future defense budgets will necessitate an increased shift of responsibilities to the Guard and Reserve since the Reserve forces have proven to be more cost effective when compared to active force alternatives. [Ref. 19, p. 47]

The military now realizes that the Total Force policy makes good sense considering the role of the military in modern warfare. The necessity of the military to respond to rapidly developing crises necessitates that Reserve forces be trained and maintained at the same combat readiness as the active duty forces they will augment. As a result, the Reserves must be integrated as fully as possible in

peacetime with the units they will augment in wartime. Any delay in the integration will have a negative effect on the defense capabilities of the United States. [Ref. 19, p. 47]

Since 1980, the Navy has devoted a significant amount of time and effort to ensure that the Navy Reserve is being incorporated into the Total Force. Most of the credit for improving the Total Force policy of the Navy during this decade can be given to Secretary of the Navy, John Lehman, who is a Reservist himself. The expansion of the Navy Reserve missions has reached a point that many of the missions of the Navy today are 100% provided for by the Naval Reserve. Figure 2.2 illustrates the Navy Reserve's contributions to the total Navy structure as of September 20, 1986. [Ref. 20, p. 4] No one can predict the future success of the Total Force Policy within the Navy, but the projected strength of the Naval Reserve of the 1990s is impressive. If the expansion of the Naval Reserve proceeds as planned, the U.S. Naval Reserve of the 1990s (measured in manpower, aircraft, and ships) will be the tenth largest naval force in the world. [Ref. 17, p. 11] Figure 2.3 is a projection of the Naval Reserve forces and facilities of the 1990s [Ref. 17, p. 12].

---

<u>Unit Types</u>	<u>% of Total Navy</u>
CONUS Based Logistic Airlift Squadrons (VR)	100
CONUS Based Composite (Service) Squadron (VC)	100
Light Attack Helicopter Squadrons (HAL)	100
Combat SAR Capability (HC-9)	100
Mobile Inshore Undersea Warfare Units	100
Control of Shipping Organizations	99
Cargo Handling Battalions	92
Ocean Minesweepers	86
Military Sealift Command (MSC) Military Personnel	85
Mobile Construction Battalions	68
Special Boat Forces	66
Maritime Air Patrol Squadrons (VP)	35
Intelligence Personnel	35
Base Operating Support Personnel	19
Tactical Carrier Air Wings (CVW)	13
Early Warning A/C (VAW)	13
Surface Combatants (Frigates/Destroyers)	13
Amphibious Warfare Ships	5

NOTE: Percentages determined by counting like type units or personnel.

Data as of September 30, 1986.

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Figure 2.2  
Naval Reserve Contributions to the  
Total Navy Structure

AVIATION FORCES - (50) SQUADRONS

2 Carrier Air Wings

- \* 4 Fighter Squadrons
- \* 4 Strike Fighter Squadrons
- \* 2 Medium Attack Squadrons
- \* 2 Carrier Airborne Early Warning Squadrons
- \* 2 Tactical Electronic Warfare Squadrons

2 Patrol Air Wings

- \* 13 Patrol Squadrons

1 Helicopter Air Wing

- \* 2 Helicopter Combat Support Squadrons
- \* 5 Helicopter Antisubmarine Squadrons
- \* 2 Helicopter Mine Countermeasure Squadrons

1 Fleet Logistic Support Wing

- \* 2 Fleet Composite Squadrons
- \* 12 Fleet Logistics Support Squadrons

SEA FORCES - (71) SHIPS

26 Frigates

1 Destroyer

31 Minesweepers

4 Amphibious Ships

4 Salvage Ships

5 Fleet Replenishment Oilers

Figure 2.3  
Projected Naval Reserve of the 1990s

#### COMBAT SUPPORT FORCES

- 14 Cargo Handling Battalions
- 19 Mobile Constructions Battalions
- 28 Mobile Inshore Undersea Warfare Units
- 22 Craft of Opportunity Units
- 4 Special Boat Units
- 2,500 Reinforcing and Sustaining Units
- 15 Fleet Hospitals

#### FACILITIES

- 165 Naval Reserve Centers
- 54 Naval Reserve Readiness Centers
- 16 Naval Reserve Facilities
- 6 Naval Air Stations
- 2 Naval Air Facilities
- 7 Naval Air Reserve Areas
- 8 Naval Air Reserve Centers

Figure 2.3  
Projected Naval Reserve of the 1990s (cont.)

### III. THE STUDY, DATA BASE, AND RESULTS

#### A. THE STUDY

The purpose of this study is to analyze how the Naval Reserve budget has changed during the period FYs 1970-1987.

In order to analyze the question of whether or not the Naval Reserve has received a fair share of the active Navy budget, the budgets of the active and reserve Navy are examined in the following areas:

1. The Naval Reserve budget authority as a percent of active Navy budget authority.
2. The percent change of budget authority from the previous year.

The data analysis of the budgets will further explain the secondary question of the impact of the Total Force policy on the Naval Reserve budget by presenting the budget growth in the following areas:

1. Budget authority in current dollars each year.
2. Budget authority in constant dollars each year.
3. Cumulative percent change of budget authority in constant dollars.

The subsidiary question of whether or not the changes in the Naval Reserve budget have appeared to be incremental or programmatic will be analyzed by presenting the percent change in the Naval Reserve budget each year of the study.

Although this study is primarily interested in the relationships between the Navy Reserve and active Navy budgets, the National Defense budget is included in some tables to provide a reference as to how the total National Defense budget changed during the same period.

#### B. DATA BASE

The source of information for this study is The Budget of the United States Government for FYs 1970-1987 [Ref 13]. The transition quarter (TQ) from July 1, 1976 to September 30, 1976 is excluded from the data since the TQ appropriations were based on continuing resolutions and were relatively small. Including these TQ appropriations into either the FY 1976 or FY 1977 budget would inflate the data for that particular year.

The National Defense price deflators used to convert current year dollars into constant dollars are obtained from the Economic Report of the President for 1987 [Ref. 21, p. 249], with the exception of FY 1987 which is estimated from the Budget of the United States Government for FY 1988.

Budget authority figures are used for the National Defense, active Navy, and reserve Navy budget data. Budget authority is the amount authorized by Congress to become available for obligation during a particular fiscal year. The competition for scarce federal budget dollars can best be analyzed by examining an agency's budget authority for a

particular year. Actual budget authority figures are used throughout except where noted otherwise.

1. Active Navy

The active Navy budget data consist of an aggregate of budget authority figures for five Navy appropriations categories. The aggregate total consists of the following categories:

- Military Personnel, Navy (MPN)
- Operation and Maintenance, Navy (O&MN)
- Procurement, Navy
- Research, Development, Test & Evaluation, Navy (RDT&E)
- Military Construction Navy (MCN)

In an effort to segregate the active and reserve personnel funding, the MPN category does not include active duty Reserve funding. The Guard and Reserve program within the MPN category (FYs 1970-1982) is segregated out and included in the Navy Reserve aggregate totals. Actual budget authority is used for the Reserve Personnel program except for FYs 1981 and 1982 which are budget authority estimates. Estimates are used for FYs 1981 and 1982 since actual budget authority was not available. Beginning in FY 1983, all personnel funding for the Naval Reserve was included in the Naval Reserve personnel account.

The O&MN category does not include Navy Reserve O&M funding. The Guard and Reserve program within the O&MN category (FYs 1970-1972) is segregated out and included in the Navy Reserve budget totals. Beginning in FY 1973, the

Navy Reserve established their own Operation and Maintenance appropriation.

The procurement category included the following accounts:

- Aircraft Procurement, Navy (APN)
- Weapons Procurement, Navy (WPN)
- Shipbuilding and Conversion, Navy (SCN)
- Other Procurement, Navy (OPN).

The following appropriations categories are not included in the active Navy budget aggregate totals:

- Family Housing, Navy
- Navy Stock Fund
- Navy Industrial Fund
- Navy Management and Trust Funds

These categories are not included since they are a small portion of the active Navy budget. For example, in FY 1986, the four categories which were excluded from the study accounted for approximately 2% of the total active Navy budget.

## 2. Navy Reserve

The Navy Reserve budget data consist of an aggregate of budget authority figures for all four Naval Reserve appropriations categories. The aggregate amounts consist of the following categories:

- Reserve Personnel, Navy (RPN)
- Operation and Maintenance, Navy Reserve (O&MNR)
- Military Construction, Naval Reserve (MCNR)
- Procurement - National Guard and Reserve Equipment

The Procurement category is included in an attempt to reflect the recent attitude of Congress toward the Guard

and Reserve programs. Fiscal year 1984 was the first year Congress set aside a separate account for National Guard and Reserve Equipment. Congress wanted this account "for procurement of aircraft, missiles, naval vessels, tracked combat vehicles, torpedoes, other weapons, and other procurement for the reserve components of the Armed Forces" [Ref. 20]. Beginning with the FY 1984 budget submission, the Naval Reserve procurement budget authority has been segregated in the Budget of the United States Government.

### 3. National Defense

The National Defense budget authority data includes not only the DOD but also the atomic energy defense activities and defense related activities. The National Defense data is included to illustrate how the active and reserve Navy budgets compare to the total budget authority available for all agencies under the federal budget category of National Defense.

### 4. Summary

Although the format and accounting procedures have changed somewhat during the period of this study, every attempt was made to segregate the active and reserve Navy budget authority where possible to ensure that the data reflects the true relationship of the reserve and active Navy budgets. Current dollar amounts were adjusted to constant 1982 dollars using the National Defense Price

Deflators. Current dollar budget data appear in Appendix A and constant dollar budget data appear in Appendix B. All dollar figures are in millions of dollars unless noted otherwise.

### C. RESULTS

#### 1. Budget Authority in Current Dollars

Table 1 shows how the total budget authority in current dollars increased during the period of the study. The budgets of the National Defense, active Navy, and Navy Reserve increased by the following amounts:

	<u>Dollars</u>	<u>Percent</u>
National Defense	\$76,689 - 292,929	282%
Active Navy	\$19,010 - 83,074	337%
Navy Reserve	\$355 - 2,387	572%

Although the growth rate of the Navy Reserve looks large and impressive, the growth does not tell the full story since inflation is not taken out of the budget figures.

Figure 3.1 represents graphically the relationships of the active and reserve Navy budgets in current dollars. Since the dollar amounts for the Naval Reserve are small compared to the active Navy, the dollar scale is changed for the Navy Reserve to allow more detail to be shown.

TABLE 1

TOTAL BUDGET AUTHORITY IN CURRENT DOLLARS  
(in MILLIONS)

FY	NATIONAL DEFENSE	ACTIVE NAVY	NAVAL RESERVE
70	76,689	19,020	355
71	75,220	18,894	387
72	80,314	21,166	476
73	82,787	22,941	566
74	89,293	23,715	614
75	91,925	24,678	670
76	103,811	27,875	715
77	110,432	30,537	730
78	117,926	35,489	781
79	127,809	37,763	862
80	145,764	42,670	944
81	182,405	51,964	1,166
82	218,704	61,523	1,256
83	245,835	72,521	1,348
84	265,160	72,267	1,485
85	294,656	83,824	2,036
86	289,146	82,308	2,255
87(Est.)	292,929	83,074	2,387
PERCENT CHANGE	282%	337%	572%

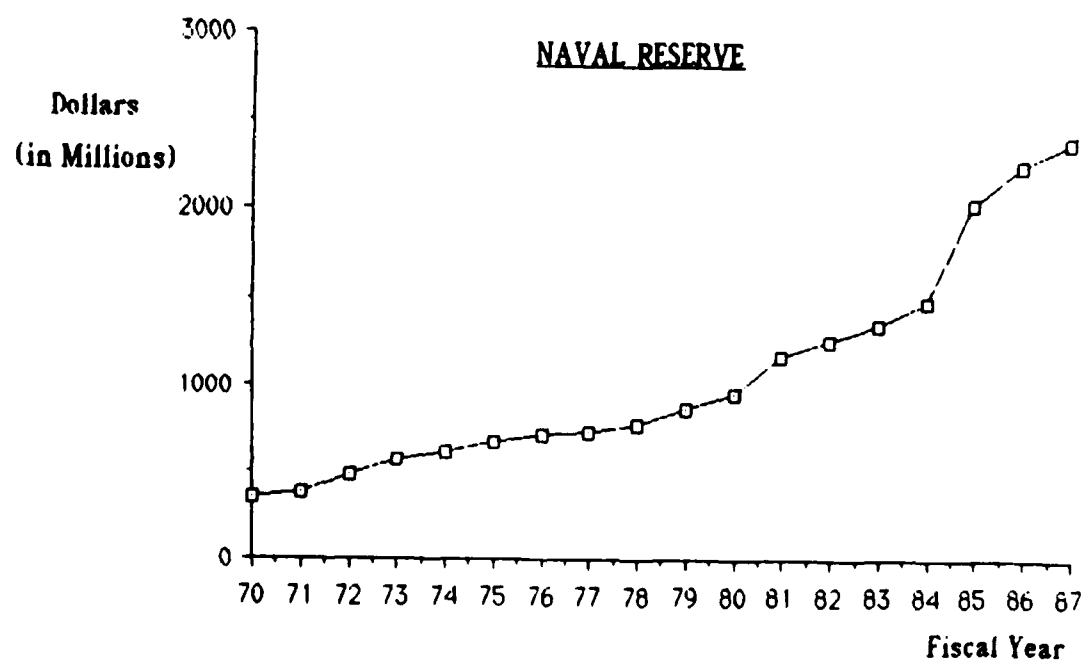
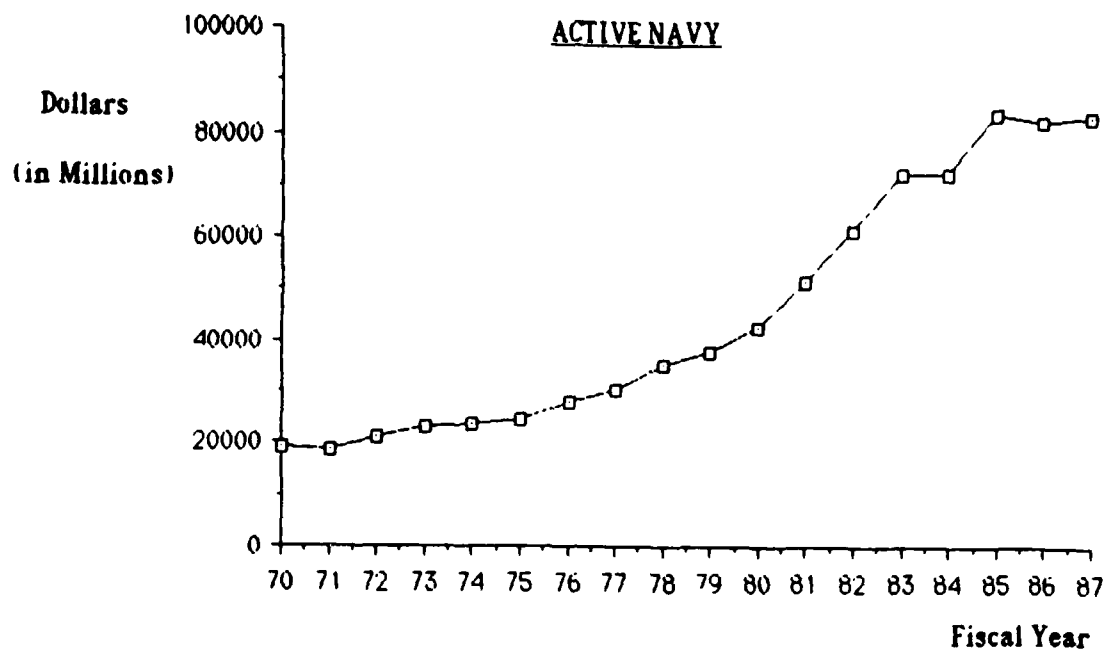


Figure 3.1  
Total Budget Authority in Current Dollars

## 2. Budget Authority in Constant Dollars

The budget figures in Table 2 are much more revealing than the figures in Table 1 since they represent the total budget authority converted to constant 1982 dollars. The constant 1982 dollars are obtained by dividing the current dollar figures by National Defense Deflators, then multiplying the quotient by 100.

The constant dollar figures in Table 2 show that during the period of the study, the budgets increased by the following amounts:

	<u>Dollars</u>	<u>Percent</u>
National Defense	\$208,394 to 251,872	21%
Active Navy	\$51,685 to 71,431	38%
Navy Reserve	\$965 to 2,052	113%

These growth results reveal that, on a percentage basis, the Navy Reserve budget increased almost three times as much as the active Navy budget during the period.

Observing the figures in Table 2, strictly on the basis of whether or not there is an increase or decrease in the budget totals each year, shows an increase in the budget as follows:

	<u>Years</u>	<u>Percent</u>
National Defense	8 of 18	44.4%
Active Navy	10 of 18	55.5%
Navy Reserve	14 of 18	77.7%

Figure 3.2 is a graphical representation of relationships of the total budget growth of the active and reserve Navy budget in constant dollars.

An additional analysis of the budgetary growth of the three budgets is depicted in Table 3, which shows the growth of the three budgets on a yearly percentage basis using FY 1970 as the base year. The Navy Reserve enjoyed a positive increase of budget authority for each year of the study. By contrast, the budget authority of both the National Defense and active Navy is primarily negative during the post-Vietnam War 1970s.

Figure 3.3 a graphical presentation of growth of the active and Reserve Navy budgets using the base year of 1970.

### 3. Percent Change from Previous Year

The figures in Table 4 present the percent increase or decrease from the previous year's budget during the period FYs 1970-1987. Although the budget changes of both the active and reserve Navy varied greatly during the period, five important facts can be obtained from the data:

- (1) There were six years (FYs 76, 77, 78, 80, 82, 83) when the Navy Reserve budget increased less or decreased more on a percentage basis than the active Navy budget. Therefore, during the remaining twelve years, the Navy Reserve budget was increased more or cut less (as a percentage) than the active Navy

TABLE 2

TOTAL BUDGET AUTHORITY IN CONSTANT 1982 DOLLARS  
(in MILLIONS)

FY	NATIONAL DEFENSE DEFLATOR*	NATIONAL DEFENSE	ACTIVE NAVY	NAVAL RESERVE
70	36.8	208,394	51,685	965
71	39.8	188,995	47,472	972
72	41.8	192,139	50,636	1,139
73	45.3	182,753	50,642	1,249
74	50.6	176,468	46,868	1,213
75	55.6	165,333	44,385	1,205
76	59.3	175,061	47,007	1,206
77	63.4	174,183	48,166	1,151
78	67.8	173,932	52,344	1,152
79	74.2	172,249	50,894	1,162
80	83.4	174,777	51,163	1,132
81	92.9	196,346	55,935	1,255
82	100.0	218,704	61,523	1,256
83	103.6	237,292	70,001	1,301
84	107.1	247,582	67,476	1,387
85	110.0	267,869	76,204	1,851
86	110.9	260,727	74,218	2,033
87(Est.)	116.3	251,872	71,431	2,052
PERCENT CHANGE		21%	38%	113%

\* National Defense Deflators were obtained from the Economic Report of the President for 1987, except for FY87 which was estimated from the Budget of the United States for FY88.

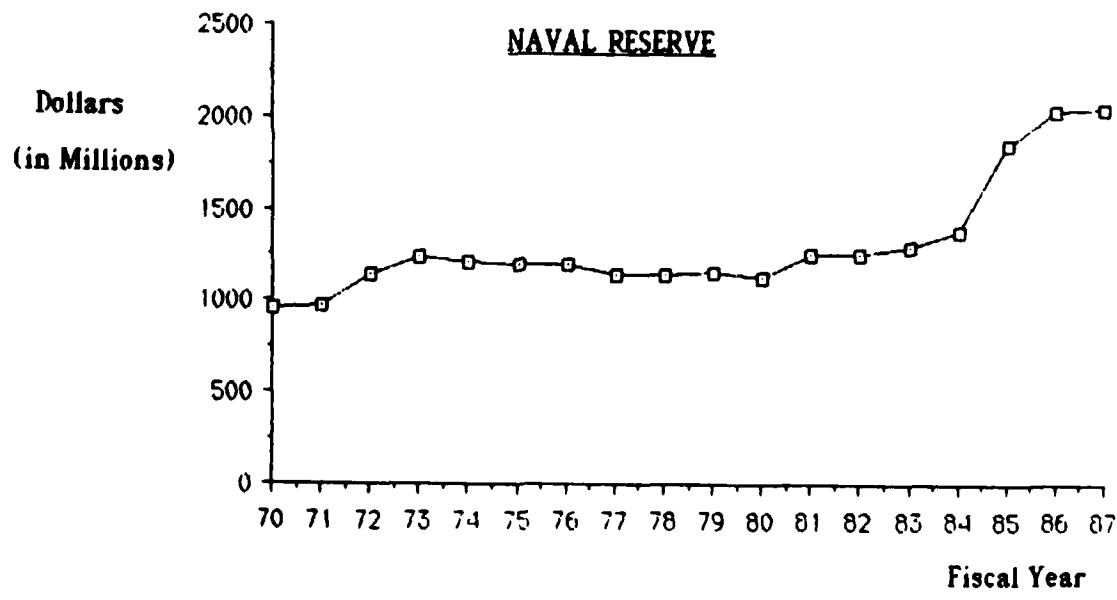
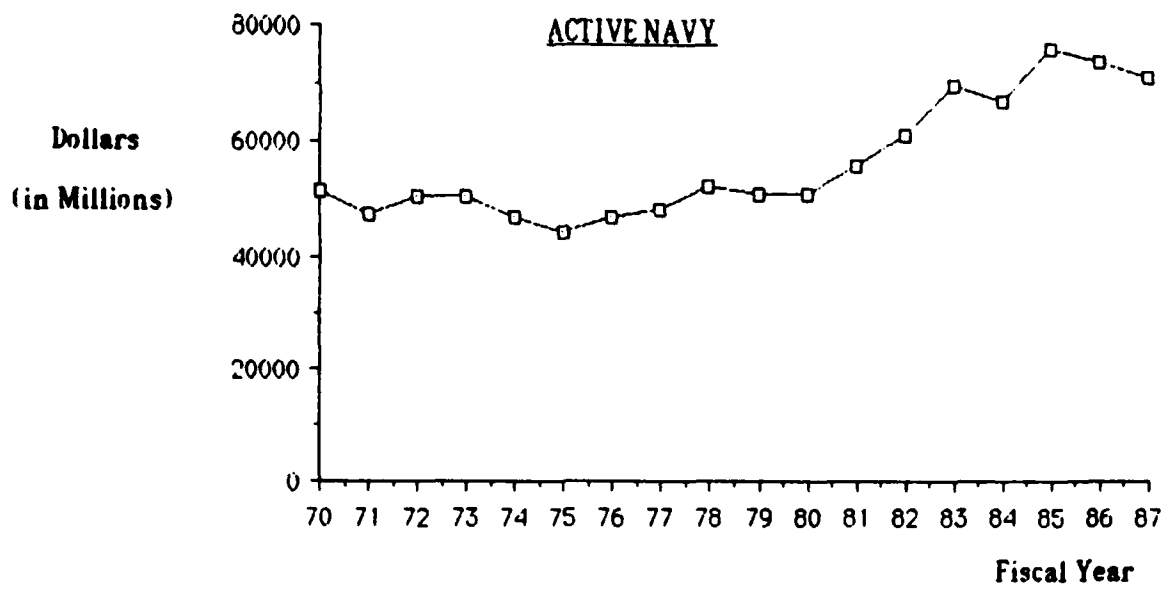


Figure 3.2  
Total Budget Authority in Constant 1982 Dollars

TABLE 3

BUDGET AUTHORITY  
PERCENT GROWTH FYs 1970 - 1987  
CONSTANT 1982 DOLLARS

FY	NATIONAL DEFENSE	ACTIVE NAVY	NAVAL RESERVE
70	BASE YEAR	BASE YEAR	BASE YEAR
71	-9.31%	-8.15%	.73%
72	-7.80	-2.03	18.03
73	-12.30	-2.02	29.43
74	-15.32	-9.32	25.70
75	-20.66	-14.12	24.87
76	-16.00	-9.05	24.97
77	-16.42	-6.80	19.27
78	-16.54	1.28	19.38
79	-17.34	-1.53	20.41
80	-16.13	-1.01	17.31
81	-5.78	8.22	30.05
82	4.95	19.03	30.16
83	13.87	35.44	34.82
84	18.80	30.55	43.73
85	28.54	47.44	91.81
86	25.11	43.60	110.67
87(Est.)	20.86	38.20	112.64

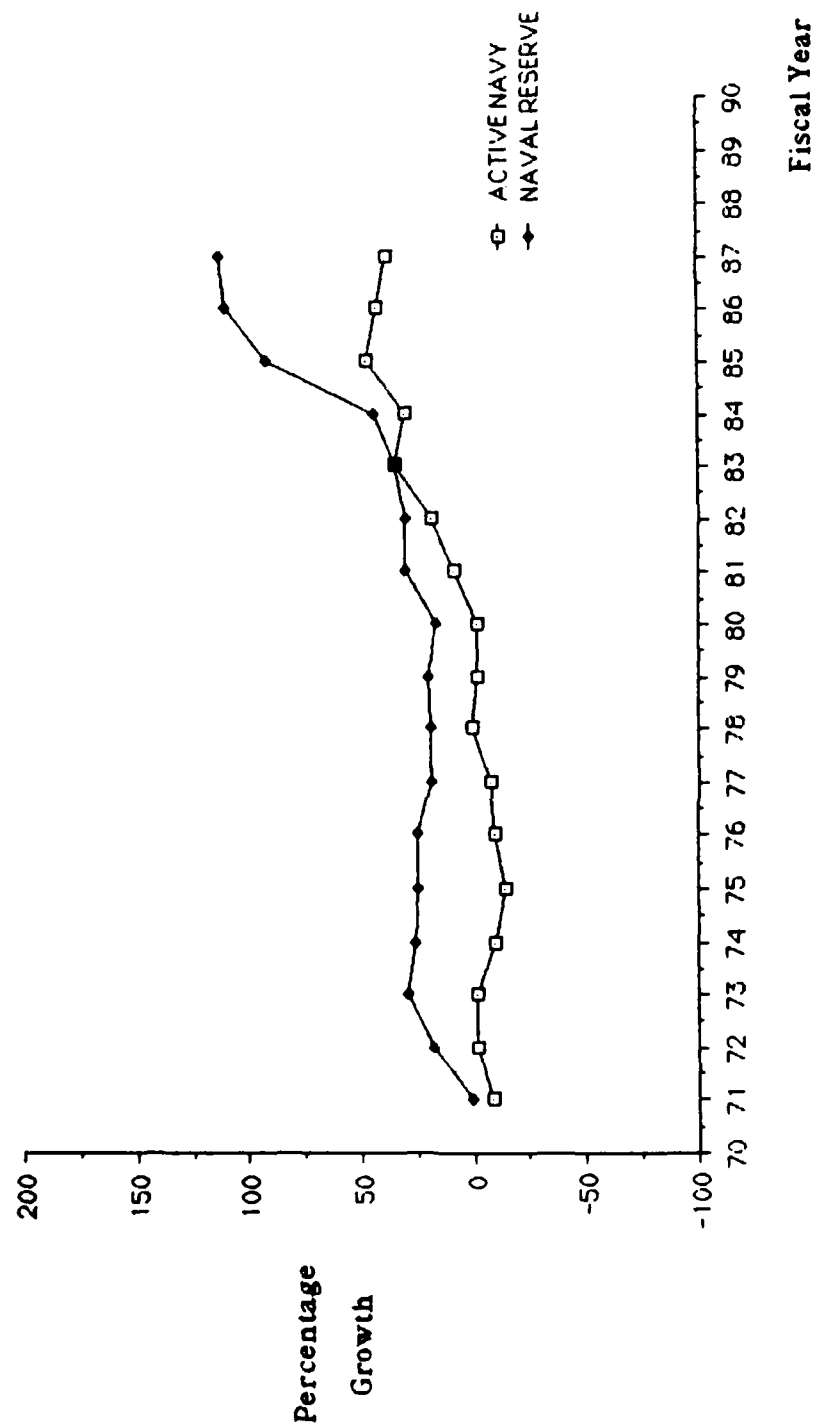


Figure 3.3  
Budget Authority Percent Growth Constant 1982 Dollars

budget. Example: In FY 83 the active Navy budget increased by 13.78%, but the Navy Reserve budget only increased by 3.58%.

- (2) There were three years (FYs 72, 81, 85) when the Navy Reserve budget changed by more than 10 percent.
- (3) There were three years (FYs 70, 74, 75) when the Navy Reserve budget decreased, but the active Navy budget decreased by a greater percentage. Example: In FY 74 the Navy Reserve was cut by 2.88%, but the active Navy was cut by 7.45%.
- (4) The nine years (FYs 70, 71, 73, 74, 75, 79, 84, 86, 87) in which the active Navy budget decreased, the Navy Reserve budget did not receive as large a decrease in their budget.
- (5) The nine years (FYs 72, 76, 77, 78, 80, 81, 82, 83, 85) in which there was an increase in the active Navy budget, the Navy Reserve budget received a larger increase in only three of those years (FYs 72, 81, 85).

Figure 3.4 is a graphical representation of the percent change figures for the active and reserve budgets in Table 4.

4. Navy Reserve Budget Authority as a Percentage of the Active Navy Budget

The figures in Table 5 represent the Navy Reserve budget authority as a percentage of the active Navy budget

TABLE 4

BUDGET AUTHORITY  
PERCENT CHANGE FROM PREVIOUS FISCAL YEAR

FY	NATIONAL DEFENSE	ACTIVE NAVY	NAVAL RESERVE
70	-12.02%	-2.84%	-.42%
71	-9.31%	-8.15%	.73%
72	1.66	6.66	17.18
73	-4.89	-.01	9.66
74	-3.44	-7.45	-2.88
75	-6.31	-5.30	-.66
76	5.88	5.91	.08
77	-.50	2.47	-4.56
78	-.14	8.67	.09
79	-.97	-2.77	.87
80	1.47	.53	-2.58
81	12.34	9.33	10.87
82	11.39	9.99	.08
83	8.50	13.78	3.58
84	4.34	-3.61	6.61
85	8.19	12.93	33.45
86	-2.67	-2.61	9.83
87(Est.)	-3.40	-3.76	9.35

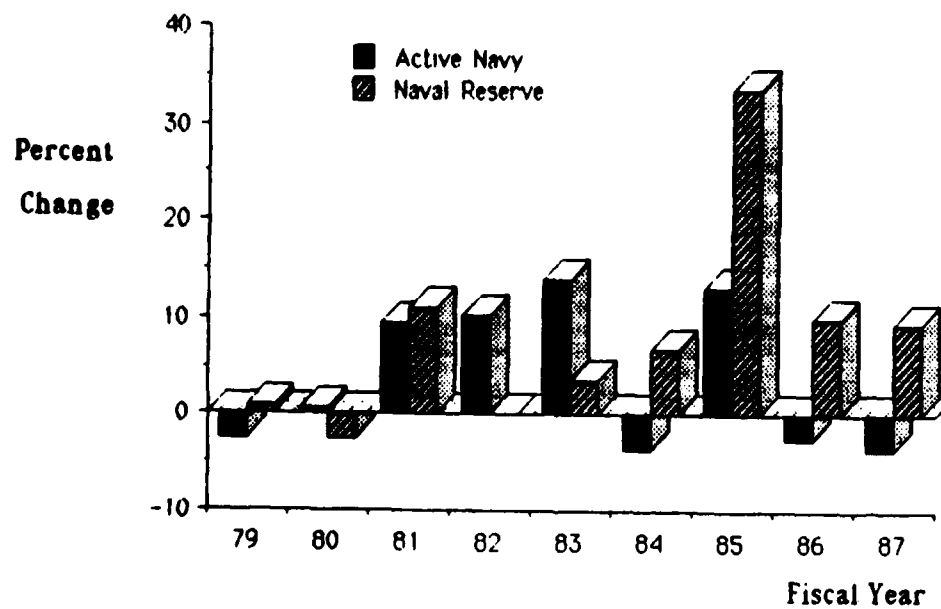
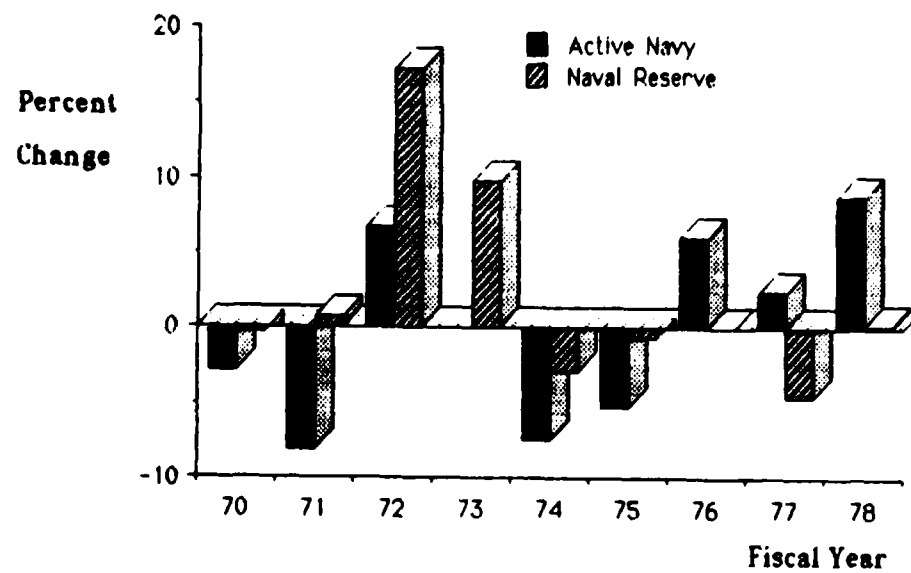


Figure 3.4  
Budget Authority Percent Change from Previous Fiscal Year

authority in constant 1982 dollars during the period FYs 1970-1987. These figures are perhaps the most pertinent ones to this study. The percentages reveal that, during six years (FYs 76, 77, 78, 80, 82, 83), the Navy Reserve failed to maintain or increase their percentage share of the active Navy budget. It should be noted that these are the same fiscal years discussed in Table 4 when the Navy Reserve budget did not receive the same percentage increase as the active Navy budget. During the remaining twelve years of the study, the Navy Reserve budget as a percentage of the active Navy budget displayed an upward trend when compared to the previous year's budget.

Although the majority of the years revealed an upward trend, the Navy Reserve budget as a percentage of the active Navy budget only increased from 1.87% in FY 70 to 2.87% in FY 87, or a 1% increase in eighteen years. Figure 3.5 is a graphical display of the figures in Table 5.

TABLE 5

NAVY RESERVE BUDGET AUTHORITY  
AS A PERCENTAGE OF THE ACTIVE NAVY BUDGET AUTHORITY  
1982 DOLLARS      FYs 1970 - 1987

<u>FY</u>	<u>PERCENT</u>
70	1.87%
71	2.03
72	2.25
73	2.47
74	2.59
75	2.71
76	2.57
77	2.39
78	2.20
79	2.28
80	2.21
81	2.24
82	2.04
83	1.86
84	2.06
85	2.43
86	2.74
87(Est.)	2.87

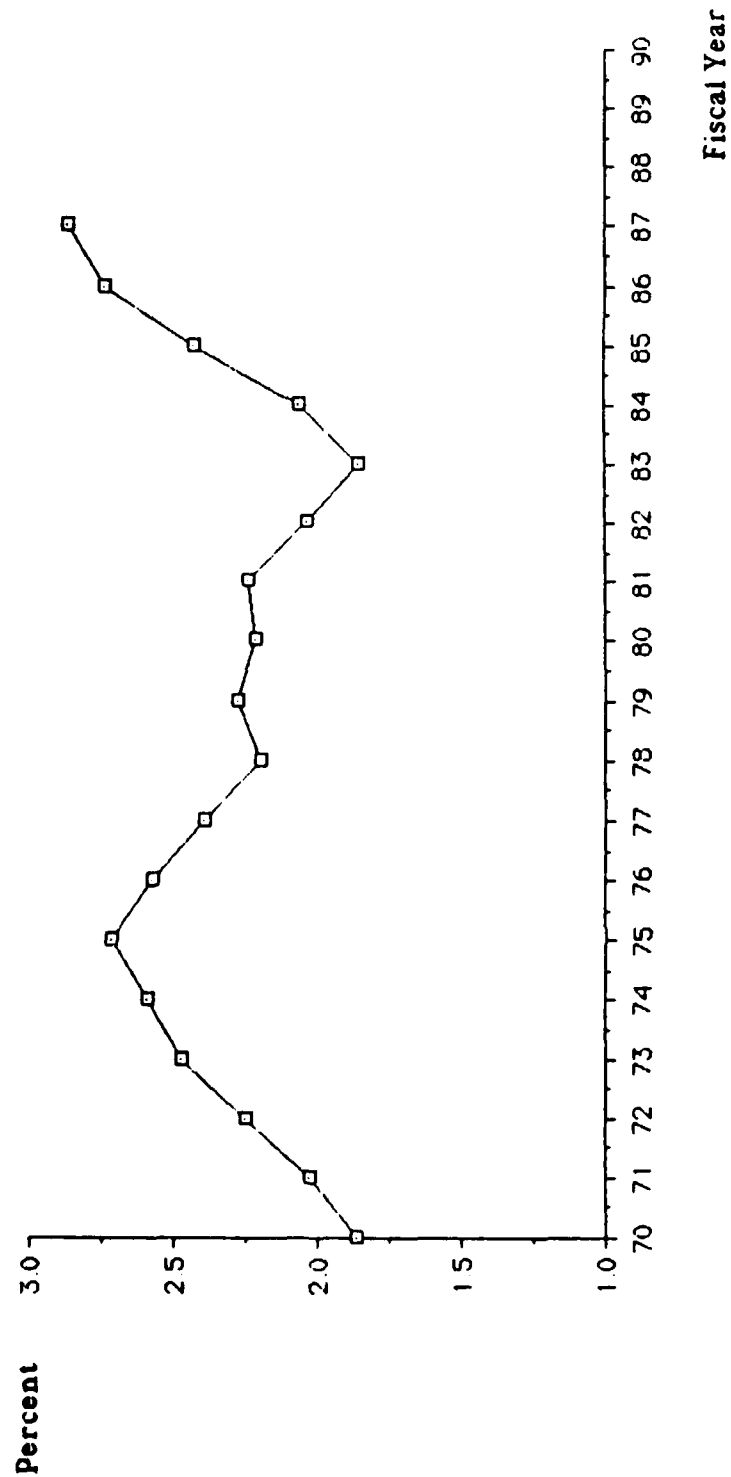


Figure 3.5  
Navy Reserve Budget Authority as a Percentage  
of the Active Navy Budget Authority

#### IV. CONCLUSIONS

##### A. FAIR SHARE

The primary question to be answered in this thesis is whether or not the Naval Reserve has received their fair share of the active Navy budget during FYs 70-87. The budgetary data presented in Table 5 indicate that the Naval Reserve has received its fair share of the active Navy budget during the majority of the eighteen years of this study. During these years the Naval Reserve budget, as a percentage of the active Navy budget, has displayed an upward trend when compared to the previous year's budget for twelve of those years (FYs 70, 71, 72, 73, 74, 75, 79, 81, 84, 85, 86, 87). These same twelve years correspond to the twelve years in Table 4 where the Navy Reserve budget was increased more or cut less (as a percentage) than the active Navy budget.

Although the Naval Reserve has done well competing for funds with the active Navy, it appears that their success in competing for these funds is justified. The personnel growth alone is justification enough for budgetary growth in the Naval Reserve. Appendix C is a display of personnel end-strengths for the active and reserve Navy. During the period FYs 70-87, the Naval Reserve personnel strength has grown by 12.7% as compared to a 21.9% decrease in active

Navy personnel strength. Of particular interest is the period FYs 80-87 when the personnel strength of the Naval Reserve increased by 70.1%, as compared to an 11.4% increase in active Navy personnel strength. This tremendous growth of Naval Reserve personnel, coupled with the increased missions of the Naval Reserve, makes a good case for an even larger budget share for the Naval Reserve.

The overall growth of the reserve forces in DOD promoted the Reserve Forces Policy Board in their FY 86 annual report to the President and Congress to state:

The share of the Department of Defense budget allocated to the reserve components has not kept pace with the growth in personnel strength and increased missions assigned to the National Guard and Reserve in recent years.

Budget restraints, among other reasons, may force decisions to place additional reliance on the reserve components. The Board urges caution regarding the application of budget cuts equal in percentage to the active components when, in fact, the Guard and Reserve have been given greater mission responsibilities. The reserve components will be able to accomplish presently assigned missions provided they are supported with adequate funding to recruit, retain, equip, and train personnel. [Ref. 20, p. xviii]

#### B. TOTAL FORCE

The second question to be answered by this study is whether or not the Naval Reserve budget has been impacted by the Total Force concept. Since the genesis of the Total Force concept began in FY 70, the Naval Reserve budget growth during the period of this study (FYs 70-87) will

reflect the impact of the Total Force policy on the Naval Reserve budget.

The data in Table 2 describes the growth of the Naval Reserve budget authority in constant dollars. The 1970s can be described as a time of fluctuating changes in the Naval Reserve budget with periods of increase, decrease, and relative constant budget growth. The Naval Reserve budget appears to have gone through a fluctuating pattern similar to that of the active Navy during the post-Vietnam war wind-down of the 1970s. It was not until FY 81 that the Naval Reserve budget began a positive growth period for seven consecutive years (FYs 81-87).

The result is that the Total Force concept does not appear to have had a positive effect on the Naval Reserve budget until FY 81. The large, positive increase in the Navy Reserve budget coincides with the National Defense budget growth initiated by the Reagan administration. Although the Reagan administration overall defense buildup appears to be the overriding factor for the growth of the Naval Reserve budget in the 1980s, the Total Force concept must be having a positive effect since the Naval Reserve has enjoyed a positive growth during FYs 86-87 when the active Navy budget was decreasing. Also, there are few that would dispute the belief that John Lehman, who is a reservist himself and Secretary of the Navy from FYs 80-87, had a

positive impact on the budgetary growth of the Naval Reserve in the 1980s.

#### C. INCREMENTAL OR PROGRAMMATIC

The subsidiary question to be answered in this study is whether or not the changes in the Naval Reserve budget have appeared to be incremental or programmatic. Using the same criteria in the Fenno study [Ref. 3], the Naval Reserve budget changes would be considered incremental if the majority of them are 10% or less per year. The data in Table 4, which describe the budget authority percent change from the previous year, indicate that the changes in the Naval Reserve budget are primarily incremental since fifteen out of eighteen budget years had a change of 10% or less.

The fact that the changes in the Naval Reserve budget are primarily incremental is important because it establishes the Naval Reserve as a federal agency with an established budgetary base. The presence of this strong budgetary base would allow the Naval Reserve to focus their attention on future programs without being overly concerned that the funding level of existing programs will undergo massive changes from Congress.

#### D. SUMMARY

Although the Naval Reserve does not have all the facilities, personnel, and new equipment it would like in

order to accomplish its missions, the Naval Reserve of the 1980s has enjoyed tremendous growth in both their personnel strength and their budget. Former Secretary of the Navy John Lehman's remarks given to a group of reservists in 1982 sums up the optimism for future growth of the Naval Reserve program:

We in the Reserves have found year after year that talk is cheap. Always we find high hopes and rhetoric that we're going to modernize the Reserves, give them new equipment and new aircraft, new ships . . . but nothing ever happens. However, in the last 14 months, we have put forward a real program . . . These are real programs, not rhetorical ones. [Ref. 22, p. 72]

Future analysis of the Naval Reserve budget will verify if the recent growth trends of the 1980s will be long term. Only time will tell how well the Naval Reserve will continue to compete for scarce defense dollars in the budgetary process.

APPENDIX A  
ACTIVE NAVY BUDGET DATA

ACTIVE NAVY BUDGET AUTHORITY  
CURRENT DOLLARS  
(in MILLIONS)

FY	MPN	O&M	PROC	RDT&E	MILCON	TOTAL
70	4,745	5,133	6,606	2,236	300	19,020
71	4,595	4,840	6,979	2,178	302	18,894
72	4,887	5,054	8,502	2,368	355	21,166
73	5,284	5,315	8,703	3,120	518	22,941
74	5,414	6,594	8,416	2,681	609	23,715
75	5,654	7,297	8,096	3,024	606	24,678
76	5,716	8,300	9,832	3,257	770	27,875
77	5,946	9,690	10,608	3,723	570	30,537
78	6,230	11,066	13,704	4,018	472	35,489
79	6,567	11,936	14,021	4,480	760	37,763
80	7,125	14,821	15,566	4,572	585	42,670

FY	MPN	O&M	PROC	RDT&E	MILCON	TOTAL
81	8,661*	17,743	19,770	4,997	794	51,964
82	10,053*	19,728	24,462	5,828	1,451	61,523
83	10,847	21,071	33,429	6,094	1,081	72,521
84	11,446	22,266	29,738	7,586	1,232	72,267
85	15,701	25,163	32,228	9,197	1,535	83,824
86	15,875	23,319	31,920	9,572	1,622	82,308
87*	17,550	23,303	31,488	9,353	1,379	83,074

\* Estimates

Notes: 1. Categories within total budget may not add to the exact total due to rounding errors.

2. MP - Military Personnel

O&M - Operations and Maintenance

PROC - Procurement

RDT&E - Research Development Test and Evaluation

MILCON - Military Construction

APPENDIX B  
NAVAL RESERVE BUDGET DATA

NAVAL RESERVE BUDGET AUTHORITY  
CURRENT DOLLARS  
(in MILLIONS)

FY	MP	O&M	RESEQP	MILCON	TOTAL
70	252	94		10	355
71	272	110		5	387
72	344	121		11	476
73	407	138		21	566
74	393	198		23	614
75	401	247		22	670
76	391	288		36	715
77	416	291		24	730
78	440	319		22	781
79	460	380		22	862
80	494	431		18	944
81	579*	554		33	1,166
82	645*	574		36	1,256
83	678	629	15	25	1,348

FY	MP	O&M	RESEQP	MILCON	TOTAL
84	767	637	51	31	1,485
85	1,127	829	20	61	2,036
86	1,264	851	100	40	2,255
87*	1,395	887	61	45	2,387

\*Estimates

Notes: 1. Categories within the total budget may not add to exact total due to rounding errors.

2. MP - Military Personnel

O&M - Operations and Maintenance

RESEQP - Reserve Equipment

MILCON - Military Construction

APPENDIX C

PERSONNEL END-STRENGTH  
FYs 1970 - 1987

FY	ACTIVE NAVY	NAVAL RESERVE
70	692,435	130,969
71	623,023	133,236
72	587,817	127,394
73	564,308	129,097
74	545,668	117,663
75	534,884	100,132
76	524,476	98,168
77	529,697	91,519
78	530,059	82,955
79	521,681	89,530
80	527,153	87,900
81	540,219	87,884
82	552,996	93,919
83	557,573	109,094
84	564,638	120,558
85	570,705	129,832
86	581,119	141,504
87*	587,000	149,486

\* Estimate

Source: Budget of the United States for FYs 1970 - 1987

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